

LAURA N. CHICK
INSPECTOR GENERAL

STATE OF CALIFORNIA
OFFICE OF THE INSPECTOR GENERAL
AMERICAN RECOVERY ACT FUNDS

Transmitted via e-mail

August 31, 2010

Mr. Salvador Velasquez, Executive Director
LA Works
5200 Irwindale Avenue
Irwindale, CA 91706

Dear Mr. Velasquez:

Final Review Report—Review of the Human Services Consortium of the East San Gabriel Valley (LA Works) Workforce Investment Act Programs Funded by the American Recovery and Reinvestment Act

The State of California, Office of the Inspector General (IG), American Recovery and Reinvestment Act Funds (ARRA) reviewed the LA Works' Workforce Investment Act (WIA) Programs funded by ARRA.

The WIA programs offer a comprehensive range of workforce development activities through statewide and local organizations. Available workforce development activities provided in local communities can benefit job seekers, laid-off workers, youth, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers. The purpose of these activities is to promote an increase in the employment, job retention, earnings, and occupational skills improvement of participants.

Scope

The LA Works was awarded ARRA funds totaling \$3,088,503 from the Los Angeles County Department of Community and Senior Services for the following WIA programs: Adult, Dislocated Worker, Youth, and Summer Youth. As of the review period, the LA Works received and expended \$1,693,300.

The IG conducted a review of ARRA funds received and expended July 1, 2009 through March 31, 2010. The review's objectives were to determine if the LA Works properly accounted for and used ARRA funds in accordance with ARRA requirements, applicable laws, and regulations.

The LA Works' management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and program requirements, as well as evaluating the efficiency and effectiveness of the program. Unless identified during our review of ARRA funds, we did not assess the efficiency or effectiveness of program operations.

Methodology

The LA Works' accounting records and supporting documents were reviewed to determine if ARRA funds were properly accounted for and expended. Costs allocated to various WIA programs, and the

allocation method were reviewed for propriety and reasonableness. To determine whether revenues and expenditures complied with applicable laws and regulations, the following procedures were performed:

- Interviewed key personnel and reviewed applicable policies and procedures to gain an understanding of program-related internal controls.
- Reviewed participant files and contracts between the LA Works and subcontractors.
- Reviewed revenues to determine if they were properly recorded and supported.
- Selected a sample of expenditures reported to determine whether they were:
 - Allowable
 - Program related
 - Incurred within the reporting period
 - Adequately supported
 - Properly recorded

Review Findings

Inadequate Tracking of Staff Time and Lack of Supporting Documentation

The LA Works' program staff does not track their time by specific program or funding source. LA Works allocates their time and expenditures by calculating percentages based on the number of participants in all programs to determine the approximate number of hours that should be charged to ARRA-funded programs. As a result, personnel costs charged to the ARRA-funded programs. Without the supporting documentation used to determine the number of hours reported, there is no way to verify if they are accurate.

For the quarter ending March 31, 2010, the LA Works did not maintain the documentation used to determine the percent of participants enrolled in the ARRA-funded programs; and therefore, could not support the hours reported to ARRA-funded programs.

Finally, due to timing issues and reporting deadlines with the Los Angeles County and the Employment Development Department, the hours calculated and reported for the third month of each quarter are based on estimates calculated by Los Angeles County. This means that the number of jobs reported each quarter will always have an estimated portion and never be based completely on actual hours worked due to the early reporting deadlines.

Overstated Jobs by 6.87

For the period ended December 31, 2009, the LA Works reported the cumulative hours worked on the ARRA programs rather than the hours worked for the quarter. This resulted in the LA Works reporting 16.81 jobs. Based on IG staff computation, the LA Works should have reported 9.94 jobs (overstated by 6.87).

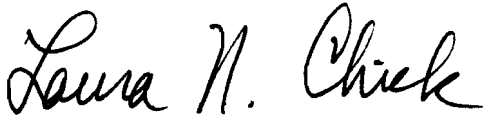
Conclusion

The LA Works should ensure that only actual quarterly hours worked on ARRA programs are reported to Los Angeles County and should maintain all documents to support the number of hours calculated and reported for each quarter. Additionally, the LA Works should ensure that the reported number of jobs is accurate.

In accordance with the Inspector General's policy of increased transparency, the final report will be placed on our website, <http://www.inspectorgeneral.ca.gov>.

We appreciate the assistance and cooperation of the LA Works. If you have any questions regarding this report, please contact, Angie Williams, Director of Accountability, at (916) 324-6662.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

LAURA N. CHICK, California Inspector General

cc: Mr. Richard Jewik, Fiscal Officer, LA Works
Ms. Jackie Lynn Sakane, Program Manager, County of Los Angeles Community and Senior Services
Mr. Robert Brief, Project Supervisor, County of Los Angeles Community and Senior Services
Ms. Pam Harris, Acting Director, Employment Development Department
Mr. Gregory Riggs, Deputy Director of Policy, Accountability, and Compliance Branch, Employment Development Department

August 16, 2010

Ms. Laura Chick
Office of the Inspector General
American Recovery and Reinvestment Act Funds
1400 10th Street, Suite 100
Sacramento, CA 95814

RE: Review of the Human Services Consortium of the East San Gabriel Valley (LA Works) Workforce Investment Act Programs Funded by the American Recovery and Reinvestment Act

Dear Ms Chick:

We acknowledge the findings and recommendation and have already implemented them for fiscal year 2010-11.

Please note that if we knew at the beginning of the year that we needed to track hours, we would have implemented a system. It wasn't until January 13th (six months into the year) when we were asked to track hours. Unless you set up a system to do so, 6 months into the year would not have allowed us to accurately capture the hours.

We would like to take this time to acknowledge the professionalism of the staff assigned to LA Works during the review.

If you have any questions, please contact Richard Jewik at (626) 960-3964, ext. 2230.

Sincerely,



Salvador R. Velasquez
Chief Executive Officer

Salvador R. Velasquez
Chief Executive Officer

Board of Directors

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The State of California, Office of the Inspector General (IG) of the American Recovery and Reinvestment Act (ARRA) funds issued a draft review report to LA Works on August 11, 2010. We received LA Works' response to that report on August 16, 2010 and have included it in the final report.

We appreciate LA Works' response to our review report. LA Works agreed with our findings and we appreciate their willingness to implement corrective actions.